

## **Responsibilities of Program Participants**

### **Tax Liability**

Payments made to LRP participants to repay their health education loans are taxable income and will be reported to the IRS. In addition to this payment, an additional 20 percent will be sent directly to the IRS to offset the Federal tax liability, which is also considered taxable income.

DHHS/PSC/GAB/DFO/BD/ESPS will send participants a Form W-2 Wage and Tax Statement, reflecting the total amount of loan repayment and tax payments at the end of the calendar year. LRP participants should be cognizant that the LRP makes no provision for the payment(s) of state or local taxes and are advised to consult with their local or state tax office, or their financial advisor regarding the increased liability.

### **Communication with Lending Institutions**

The verification of debt and the disbursement of loan repayments is conducted under a Memorandum of Agreement between the IHS and the DHHS/PSC/GAB/DFO/BD/ESPS. The DHHS/PSC/GAB/DFO/BD/ESPS will obtain certifications of individual outstanding health professions educational loans from lending institutions. LRP participants are advised that they are personally responsible for making any payments which may be required before the first payments are made by the DHHS/PSC/GAB/DFO/BD/ESPS. Once payments begin, LRP participants normally should not have to make additional payments while they are satisfactorily participating in the LRP. If participants incur additional charges on their loans due to the delay in payment by the LRP, they will need to provide documentation and their claim will be considered.

### **Delinquent on the Repayment of Any Federal Debt(s)**

If you are delinquent on the repayment of any Federal debt, you must provide documentation from your lender that you have either 1) negotiated a repayment schedule or, 2) or that your Federal debt is paid-in-full. Examples of "Federal debts" include delinquent Federal income taxes, audit allowances, Federally-guaranteed or Federal direct loans, and other miscellaneous Federal administrative debts. "Delinquent" federally-guaranteed or insured loans means the Federal Government has repurchased the loan from a lender because the borrower breached the loan agreement and is in default; for Federal direct loans, it means a debt more than 31 days past due on a scheduled payment.